



Fw: Reflections on Lehigh Valley lessons
Marcos A Marrero to: Sara Carroll

12/12/2012 05:16 PM

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----- Forwarded by Marcos A Marrero/COH on 12/12/2012 05:16 PM -----

From: Alex Morse/COH
To: Marcos A Marrero/COH@COH,
Date: 12/11/2012 01:29 PM
Subject: Re: Reflections on Lehigh Valley lessons

Can you put this on official letterhead, sign, and deliver to me a hardcopy to my office? Perhaps someone in your office can do this today?

Marcos A Marrero Mayor: As requested and discussed over the pa... 12/10/2012 09:21:26 PM

From: Marcos A Marrero/COH
To: Alex Morse/COH@COH,
Date: 12/10/2012 09:21 PM
Subject: Reflections on Lehigh Valley lessons

Mayor:

As requested and discussed over the past week, the following is an attempt to memorialize some reflections on the information gathered during our recent visit to the Lehigh Valley. In general, my take-aways were that:

1. The two principle cities in the Lehigh Valley share many attributes comparable to Gateway Cities in the Pioneer Valley, particularly their industrial heritage, proximity to large markets and plans for future economic development around innovation and urban revitalization. Likewise, they offer valuable tools we should try to emulate in our economic development strategies going forward, particularly their use of Tax Increment Financing and tech business incubation.
2. The City of Bethlehem demonstrated the success of their development projects centered around a gaming-licensed resort (GLR), which success has relied on a series of circumstances that are, for the most part, are not present in the City of Holyoke.
3. The mind-set of Lehigh Valley leaders has been on the metropolitan economy shared by the region's cities, an approach that permeated their pursuit of a GLR project and provided the basis for cooperation even during competition.

Below is an expansion of each of these lessons-learned.

Tools for economic development: The City of Holyoke is making considerable strides in implementing a vision of redeveloped infrastructure and a more innovative economy, following similar approaches to what the cities in the Lehigh Valley have done over the past years. However, there are a few tools that Holyoke could look to implement looking forward.

Tax Increment Financing (TIF): The Neighborhood Improvement Zone (NIZ) program is a mechanism by which delimited areas of Allentown's urban core can capture all local and state tax revenue generated in that zone to invest in infrastructure and finance redevelopment projects there. As per the City2City lessons learned: "The NIZ legislation has led to an investment of \$230 million in Allentown's core city; an 8,500-seat arena (ground was broken during our visit), 220-room hotel and medical care space are all part of the development." While this is available to cities throughout Pennsylvania that meet certain criteria, Allentown is the only City that meets them at the moment. This tool should be examined in depth for similar cities in Massachusetts and is an attractive candidate for consideration for a state-wide Gateway Cities agenda going forward. Additionally, the mechanics of capturing local taxes for reinvestment in a delimited area should be considered in Holyoke as a matter of implementing true Tax Increment Financing (TIF), as the current TIF program is more akin to a marginal tax abatement program. A true TIF mechanism would allow taxes produced in a district produced from new development to go towards improvements in the district, thereby making the taxes work in favor of project developers as well as the public.

Business incubation: The Lehigh Valley has been a successful location for business incubation, particularly in the innovation-based economy, as it houses one of the four "Techventure" centers in Pennsylvania which incubates tech entrepreneurs, providing start-up investments and space to promote economic development. Looking into this initiative as a model for the Pioneer Valley Innovation District should be a candidate for consideration during the next stage of the district's Task Force plan.

Circumstances for GLR development: There were a few notable economic, procedural and site-specific circumstances under which Bethlehem's GLR was provided a successful project and model of GLR development. It is highly questionable whether those circumstances currently exist in Holyoke.

Destination gaming vs. convenience gaming: A significant portion of Bethlehem's GLR market comes from the very large New Jersey/New York market, which is approximately an hour's drive away. The Casino's marketing tagline is "Closer than you think." In Mayor Callahan's word's, Bethlehem's casino is "convenience gambling on steroids", as it also feeds from customers in the City and surrounding community. It is doubtful that similar circumstances would exist in Western Massachusetts, as the largest markets accessible, Boston and New York, would have large GLR developments closer to their metropolitan areas than our region.

Trend of economic growth: The Lehigh Valley has experienced some of the highest population and economic growth in Pennsylvania over the past years and officials are expecting that trend to continue during this decade. It is possible that trend could be offsetting economic impacts from gaming on the local community. If that were the case, we could not expect the same to happen in the Pioneer Valley, which is not experiencing high-level growth. Additionally, Mayor Callahan has indicated that the Sands resort "is not the economic engine" for the city or the region. As summarized in the City2City lessons: "Leaders indicated that the casino is a part of the region's revitalization, not the primary driver of the area's resurgence. Representatives of the region also shared that the casino does not play a role in spreading economic development to other businesses in the region."

Part of a long term plan: The Bethlehem GLR formed part of a larger development which was in the long-term strategic plan of City officials and the community. Some years before the development, a non-profit organization called Bethlehem Works was formed to lead the development of that area. Additionally, and has been summarized in the City2City lessons: "well in advance of the building of the casino, Bethlehem officials altered the city's zoning ordinance to prohibit the establishment of check

cashing stores, massage parlors, pawn shops and related businesses in the areas around and near the casino." While GLR developments in Holyoke could potentially support the City's Urban Renewal Plan through monetary contributions, only a downtown location would be able to directly provide large scale private investment in a manner that mimics the campus concept developed in Bethlehem. Conversely, a downtown GLR could crowd out other initiatives in the arts and innovation district.

Community learning and engagement: As also noted in the City2City lessons, "Bethlehem's political and planning leadership visited other casinos across the country to learn how to mitigate the impact of a casino on their community -- visiting communities where the impact was both positive and negative." It is clear that a community discussion about the potential of a GLR as a component of the City's plans took place for a lengthy period of time, which allowed stakeholders to deliberate and shape policy regarding that development. While the issue was divisive at first, they dedicated several years to discuss the matter, establish partnerships with area arts and education partners, and other local stakeholders to make the project work for the community. It is questionable that we would have the opportunity to replicate such efforts locally by the Phase II deadline without compromising other planning efforts in the community and/or other items on the City's economic development agenda.

History: Preserving the uniqueness of the site was key in developing Bethlehem's GLR location. Their site was home to the former Bethlehem Steel company, which produced most of the steel used in bridges and other key infrastructure throughout the country. It was a sprawling complex that included production sites and offices. Essential to the identity of the site was maintaining its historic sense of place, which Bethlehem Mayor John Callahan received as key feedback from a peer review of Mayors. This led to the preservation of the iconic smoke stacks and other mill elements, which have since been maintained by the GLR operator. In his words "once you have something no one else has, you'd be foolish to tear it down". While old mill sites are present in Holyoke, none of them are at the scale as the Bethlehem steel plant. It may be further argued that one of Holyoke's unique assets is an undeveloped Mount Tom area.

Environmental: The Bethlehem Steel site was the largest brownfield site in the United States, encompassing a total of 1,800 acres of land towards the south and east, of which 160 acres was used as a component of the Sands Casino development area. Another 1,600 acres of land towards Interstate I-78 is being used for development of an industrial park. The income potential from the gaming component presented an opportunity to clean-up and develop this land, which otherwise would have been an incredibly expensive proposition to finance through other means. None of the currently proposed sites for a GLR in Holyoke face such environmental challenges.

Access: Route 412, a main travel artery along the southern business district provides direct access to the site from Interstate 78 had drawn significant interest for improvements over the years, making a stronger argument for financing improvements that ultimate came from Pennsylvania DOT. Current proposed locations have severe access constraints which would require significant traffic mitigation and investment from project proponents following traffic studies, design and a likely lengthy permitting process at the state level.

Neighborhood: The GLR site is in the south side of the City's central business district, directly across the river from the main "downtown" area of Bethlehem and is surrounded by housing that in large part serves the labor force that works at the GLR complex. Additionally, Northampton Community College has a large presence in the GLR complex, providing training on site for the workforce that would serve the GLR complex.

Regional support from regional project:

Revenue sharing: During competition for the state's only gaming license in the Lehigh Valley, City leadership in both Bethlehem and Allentown agreed to a profit-sharing model whereby the host community would receive 80% of revenue and the neighboring community would receive 20%, thereby setting the stage for cooperation on a regional project. As stated by their Mayor, Allentown currently receives

approximately \$4 million per year from the GLR in Bethlehem, while the City of Easton also reached an agreement where they receive approximately \$800,000 per year from the City of Bethlehem, once the casino expanded from slots to table games as well, as stated by Mayor Callahan. It is currently not clear what mitigation assistance there will be in the Pioneer Valley, but up to very recently the conversation has only involved immediate abutters to Springfield, whereas it seems the Lehigh Valley took into consideration the major Cities of the region.

Role of regional leaders in the conversation: Leaders from Allentown and Bethlehem were convened to begin conversing about sharing in the benefits of a GLR by an influential business leader who was neutral in the competition over the ultimate location of the gaming resort. While a public conversation on the regional impacts of a GLR in the Pioneer Valley has begun, the Lehigh Valley's experience shows how a neutral party can provide a leadership role in convening the parties and leading talks to concrete policy outcomes.

Agreement at state level: It was believed by the parties involved that the only way to enforce regional cooperation was at the state level, since otherwise municipal governments would have faced significant political challenges to enact binding local ordinances for revenue sharing. For this reason, the regional agreements were encapsulated in the state gaming legislation. Similarly, the Massachusetts Gaming Commission has yet to define what constitutes a "surrounding community" and what their stake in mitigation is going to become. As studies have shown the impact of a GLR to encompass the City of Holyoke, it would be in the City's best interest to pursue designation as a "surrounding community" at the state level.

Please let me know if you have any questions on these notes or reflections. As always, I'm happy to discuss.

-Marcos

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